

Mr. Chairman and members of the Committee, I am Douglas Holbrook, a member of AARP's Board of Directors. Thank you for convening this hearing to explore policies and programs to foster longer workforce participation by a valuable resource - older employees.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce AARP The Magazine, the AARP Bulletin, AARP Segunda Juventud, NRTA Live & Learn, and provide information via our website, www.aarp.org. AARP publications reach more households than any other publication in the United States. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

AARP advocates for policies that enhance and protect the economic security of individuals as they move from work to retirement. Through its research, publications, advocacy, and training programs, AARP seeks to eliminate ageist stereotypes; encourage employers to hire and retain older workers; and help older workers overcome obstacles in the workplace. This is important to AARP because approximately 45 percent of our more than 35 million members are employed. AARP is working on many fronts to promote employment for older persons as well as to address the challenges and opportunities for employees and employers in the workplace.

I. Advocacy

AARP has long been a leader in advocacy efforts to expand and protect older workers' rights both on the legislative and regulatory fronts. AARP advocates for the elimination of age discrimination in employment; promotes policies that provide for expanded work opportunities; and advocates for fair terms and

conditions of employment as well as for adequate benefits, including pensions and retiree health coverage.

Recent efforts include advocating for legislative changes to employment placement and training programs to include more older workers and respond to their needs. AARP has pursued improvements in the Workforce Investment Act (WIA) of 1998 in a number of areas. Specifically, we have urged inclusion in the reauthorization of provisions that would:

- Target training requirements to serve currently employed older workers
- Ensure that One-Stop Centers have adequate staff and equipment to assess and serve the needs of older workers
- Help employers prepare for an older workforce, and
- Encourage public and private sector entities to promote workforce skill-building and continuing education to older workers.

Other efforts have centered on phased retirement. AARP believes that the goal of a phased retirement program is to encourage older employees nearing retirement to remain contributing members of the labor force beyond the time they otherwise plan to work. Phased retirement programs could ease the projected labor shortage and boost the economy through longer workforce participation by experienced employees. This approach could also expand work options for older workers, as well as allow them to ease into retirement before completely exiting the labor force. Employers would benefit from phased retirement programs that help retain hard-to-replace, experienced workers, especially if anticipated labor shortages materialize.

As part of its work on phased retirement, AARP recently commented on proposed regulations by the Internal Revenue Service that would allow traditional defined benefit pensions to pay partial benefits to employees eligible for retirement who reduce the number of hours on the job by at least 20 percent. If made final, the proposed regulations would represent an important step toward

allowing one type of phased retirement - a cutback on work and partial pension payments – while protecting retirement income security and the integrity of the private pension system.

In addition to commenting on the proposed regulations, AARP released a survey, “Attitudes of Individuals 50 and Older Toward Phased Retirement” in March. The survey was designed to gauge reactions to the concept of phased retirement as well as determine the extent to which it would encourage workers near traditional retirement age to remain in the workforce longer than they otherwise planned. It includes respondents who are currently working as well as those who are retired. Although only about one in five (19%) respondents had heard of the term “phased retirement” before the survey, nearly two in five (38%) said they would be interested in participating in such program once they learn about it. Of workers who specifically expressed interest in phased retirement, 78% expect that the availability of such a plan would encourage them to work past their expected retirement age. Nearly half (46%) of workers interested in phased retirement said that they would like to start participation between the ages of 60 and 64. When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work, 53% would like to reduce their weekly schedule by at least 12 hours and 39% would like to reduce it by 10 or fewer hours.

AARP supports the development and implementation of work options, including phased retirement programs, that would expand employment opportunities for older men and women who want to work. AARP believes that barriers to the acceptance and implementation of phased retirement programs should be eliminated. However, phased retirement programs must be designed to protect workers’ benefits and preserve the long-term retirement security of workers who choose this option while recognizing the legitimate needs of employers.

II. Programs

Some employers are innovative in addressing the challenges and opportunities of an aging workforce. By implementing programs to attract and retain older workers today, companies also position themselves to respond to future needs. [AARP Best Employers for Workers Over 50 Program](#) annually honors companies and organizations whose practices and policies address the needs of an aging workforce. A variety of factors are considered in selecting winners including:

- an employer's recruiting practices;
- opportunities for training, education, and career development;
- workplace accommodations;
- alternative work options, such as flexible scheduling;
- health and pension benefits; and,
- the age of the workforce.

Best employers are those that:

- Place an emphasis on the attraction and retention of the right workforce. This is particularly relevant for industries that are currently experiencing labor shortages such as healthcare, utilities, education, and engineering.
- Offer programs to support the maturing workforce.
- Show appreciation for longer service, recognize mature worker issues, and support family care needs.
- Sponsor formal or informal arrangements allowing long-tenured and older employees to reduce work hours without jeopardizing their benefits.
- Emphasize career-long training.

AARP Best Employers for Workers Over 50 continues to increase its visibility and value in the business community. In 2004, AARP compiled the best practices among our 2002-2004 winners in a report called, "Staying Ahead of the Curve 2004." This compendium has gained national attention, resulting in major trade associations including best practices in their national conference agenda. The Best Employers program has also received much media attention. We have found that repeat applicants have added additional employee benefits as a result of reviewing the "feedback reports" that are sent to them after final results are tabulated. These changes include additional flexible work schedules, more training opportunities, and recruiting retirees to fill temporary assignments.

In order to further address the aging of the workforce, AARP has established a national conference that will address business solutions for an aging society. The conference will showcase employers who have successfully adopted policies and practices for a mature workforce addressing the "business case" for why a company should dedicate the time and resources to this issue. We have invited participants that represent various interests in this issue including opinion leaders, policymakers, academia, business, government, advertisers, and executives.

AARP will issue a report this fall addressing the value workers age 45 and older bring to American business. This study will be the first of its kind to provide cost comparisons of hiring/retaining an age 50 and older worker versus someone younger in the areas of health, productivity, training, flexible work arrangements, turnover, and other factors. This resource is intended to help business focus on long-range planning to determine their workforce needs, where there will be gaps in the labor force, and how these gaps will be addressed.

AARP will focus more attention on assisting individual industries with their labor force issues. We recognize that different industries have needs and challenges that are unique. We have engaged in conversations with national trade associations who are interested in partnering with AARP to establish industry-specific forums across the country.

AARP's Workforce Initiative grew out of the partnership between the AARP Foundation and Home Depot to attract and retain mature workers. The initiative builds on the partnership's work - educating businesses on the value of retaining their existing older workforce and recruiting mature workers, and delivering much needed resources, information, and employment opportunities to workers age 50 and older to help them remain on the job. The Featured Employers portion of the program helps companies develop and execute strategies to effectively recruit, retain and manage an older workforce.

III. Research

Boomer retirement survey. Last year AARP released a follow up survey to the 1998 "Baby Boomers Envision Their Retirement." AARP undertook to discover how the Boomer generation has progressed in planning for retirement. Seventy-nine percent of Boomers surveyed said they plan to work in some capacity during their retirement years. Thirty percent of Boomers surveyed for the 2004 report plan to work for enjoyment while 25% plan to work for the income. When it comes to preparing for their retirement, 61% of Boomers were confident in their ability to do so, while only 39% agreed that Boomers were saving more for retirement than the previous generation. Five years closer to retirement in the 2004 survey, Boomers report that 70% of them contributed to IRAs, 401(k)s and other retirement savings accounts, and 69% were satisfied with the amount of money they were setting aside for retirement.

Self-Employment. In 2004, AARP published a substantial study of the older self-employed population. While it was well-known that older workers are more likely to be self-employed than their younger counterparts, considerably less was known about workers who became self-employed later in life compared to those who had been self-employed for much or all of their lives. This study, conducted for AARP by RAND, found that nearly one-third of older self-employed workers made the transition to self-employment at or after age 50. A follow-up study underway is examining the nature of the work of older self-employed workers and the transition in and out of self-employment at ages 50 and above. It is also looking at the wealth accumulation of the self-employed, the type of assets in which wealth is held, the distribution of wealth across these assets and the consequences of shifts to self-employment for retirement assets.

Older Worker Training. In a global economy with rapidly changing technology, workers of all ages must keep their skills up to date in order to remain competitive. Older workers are at particular risk of skills obsolescence as they tend to be underrepresented in employer-provided training programs. “Older Worker Training—What We Know and Don’t Know” examines older workers and training/retraining. It is focusing on

- The ability to learn at older ages;
- Learning variability within the older population;
- Knowledge about on-the-job training vs. training in experimental settings;
- Training for 21st century skills (i.e., the relevance of research on training to jobs older workers might be interested in today);
- The impact of the "healthy worker" phenomenon on training success;
- Age comparisons in the length of time it takes to learn new skills; and
- Whether successful training techniques vary by age.

International Comparisons. “Rethinking the Role of Older Workers: Promoting Older Worker Employment in Europe and Japan” reviews older worker employment and retirement trends. It also examines efforts to promote older worker employment in the European Union, Japan, and the United States in light of demographic pressures on public pension systems.

Keeping Abreast of American Trends. “Update on the Older Worker” annually assesses the employment status of workers aged 55 and over. In recent years, their numbers and participation rates have been rising. Nonetheless, if they become unemployed, older workers continue to face formidable barriers in finding work. AARP is also examining the characteristics of individuals who return to work after a spell of retirement.

IV. Global Efforts

AARP is also working to facilitate international understanding and dialogue around the global aging agenda. Efforts are focused on the issues of pensions, labor markets, age discrimination, health care, and long-term care.

AARP helped launch the Organisation for Economic Co-operation and Development’s (OECD) study, “Ageing and Employment Policies: United States. The study looks at both work incentives and barriers to employment facing older workers. A unique feature of the study is its placement of older workers within an international context.

Also, AARP will co-host a summit with the United Kingdom’s Department of Work and Pensions on a range of retirement issues in July. A second retirement income event is scheduled for July as well, entitled, “Reinventing Retirement: Balancing Risk.” The conference centers on comparing various retirement

security models used in other countries to encourage public debate about retirement income security reform.

Conclusion

In answer to the anticipated growth of the aging population, as well as greater demand for older workers, AARP has taken on the challenge of helping to create solutions to meet the needs of the workforce and older employees. What we have seen is that employers are interested in learning about and implementing policies that attract older workers and create a supportive work environment for them. And, employers who adapt their workplace will likely find themselves better positioned to harvest the benefits of this potential resource.

Congress' challenge is to establish policies that recognize and complement the innovations of employers who have successfully attracted older employees. Legislation to make job training programs more inclusive and to expand phased retirement are two good examples. Understanding the needs of older workers will help Congress develop answers to create a workplace of choice for older workers.